

INTER-CITY GAS LIMITED
AND SUBSIDIARY COMPANIES

inter-city gas limited

interim report 1972

Consolidated Statement of Income
For the Six Months Ended June 30, 1972

	1972 \$	1971 \$
REVENUE		
Sale of natural gas	9,422,102	7,812,021
Sale of manufactured goods	2,653,946	2,412,599
Rental and finance plan income	28,184	21,948
	<u>12,104,232</u>	<u>10,246,568</u>
EXPENSES		
Natural gas purchased ..	6,048,040	5,157,822
Cost of manufactured goods sold	2,289,733	2,113,180
Operation and maintenance	1,291,739	961,566
Municipal taxes	378,777	311,472
Depreciation	329,122	268,835
	<u>10,337,411</u>	<u>8,812,875</u>
	1,766,821	1,433,693
	<u>46,080</u>	<u>19,353</u>
	<u>1,812,901</u>	<u>1,453,046</u>
OTHER INCOME :		
INCOME DEDUCTIONS		
Interest on funded debt .	605,452	588,626
Other interest	160,526	158,306
Amortization of financing expenses	49,050	14,320
	<u>815,028</u>	<u>761,252</u>
	997,873	691,794
PROVISION FOR INCOME TAXES		
	<u>327,510</u>	<u>173,007</u>
	670,363	518,794
MINORITY INTEREST ..	<u>5,733</u>	<u>3,169</u>
CONSOLIDATED EARNINGS FOR THE SIX MONTHS	<u>664,630</u>	<u>515,625</u>

(1971 figures have been adjusted for comparative purposes)





1972 Interim Report

I am pleased to report on the results of operations for the six months ended June 30, 1972. You will find in the attached consolidated statement that our net income for the period represents a 29% increase over the same period last year. Revenue increases were recorded for all our areas of activity and we expect that the second half of the year will maintain a similar trend of increasing earnings.

Consistent with the increased level of earnings, dividends were raised in June by 20% to an annual basis of 18c per common share.

I believe that these figures demonstrate the continuing profitability of your Company operating in the production, transmission and distribution of natural gas and the manufacture and distribution of related heating equipment. We continue to seek out opportunities for additional involvement in our industry and in this regard, I am pleased to report progress in three projects which were planned during the period of review and will contribute to revenues in the near future.

* In our last annual report, I described our Medicine Hat gas exploration program and explained that the first phase consisting of two test wells, had been drilled with positive results. Since then, we have drilled an additional eighteen wells and have established proven reserves which will yield us over 46 billion cubic feet of natural gas net after allowing for all royalties and other parties' interests. We are planning to drill an additional 60 wells to produce this gas during the last half of this year provided a suitable sales contract is negotiated.

* We have negotiated the acquisition of the warm air furnace and unit heater production and distribution facilities of Anthes Eastern Ltd. in St. Catharines, Ontario. This plant will allow us to participate effectively in the major markets of Ontario and Quebec. We will continue to manufacture and market the well-accepted Anthes equipment as well as our present Bulloch and Furnasman products. Our products will constitute more than one third of all natural gas furnaces sold across Canada.

* We have formed a new operating subsidiary, Inter-City Gathering Systems Ltd. This Company will engineer, construct and operate pipeline systems to gather gas in the field for delivery to the larger transmission line companies. We have completed the construction of the first of these systems which involves, a \$950,000 investment in Eastern Alberta and operation of the system is scheduled to commence in September.

During June of this year, the Company withdrew a proposed financing which included \$4,000,000 in long-term debt. This issue, planned during March, was withdrawn when escalating interest rates required that the issue would cost in excess of 9%. Because the projects to which these funds were committed provide for a relatively early recovery of capital, the Company has arranged for a mid-term bank loan in the United States at an interest rate which will fluctuate in relation to the U.S. prime bank rate. The current interest rate applicable to the loan is 6-3/4%.

Robert G. Graham
President